

Montana Wheat and Barley Committee Winter Board Meeting
Thayer Conference Room, Ag BioScience Building, Bozeman
February 13 – 14, 2007
Bozeman

(Note: Please read entire set of minutes as various topics are referenced in more than one place.)

The following were present for either a portion of or the entire meeting.

DIRECTORS

Brian Kaae	Kim Holzer
Don Fast	Mel Goffena
Janice Mattson	Don Chaffee
Frank Schoonover	

EX-OFFICIOS

Dr. Jeff Jacobsen, Dean; MSU College of Agriculture and Director; Montana Ag Experiment Station

STAFF

Kim Falcon
Cheryl Tuck

GUESTS

Terry Whiteside, Freight Rate Consultant; Whiteside and Associates
Peggy Stringer, Head Statistician; Montana Agricultural Statistics Service
Joel Clairmont, Deputy Director and Administrator; Agricultural Development Division, Montana Department of Agriculture
Lola Raska, Executive Vice President; Montana Grain Growers Association
Dr. Geoff Gamble, President; Montana State University

Utilizing free moments before the arrival of Terry Whiteside, who was first on the agenda, Dr. Jeff Jacobsen briefed the Committee on the fact there are no earmarked funds in the 2007 budget. He indicated there may be \$1 to \$1.4 million available to be used in the transition period between the 2006-2007 "earmark" situation and 2008. He submitted nine proposals to the Montana State University administration for this funding. Relative to projects funded, in part, by the Montana Wheat and Barley Committee, Dr. Jacobsen advised that David Weaver and Tom Blake both had projects that would be impacted by a lack of earmarked funds.

Prior to the research review portion of the annual winter board meeting, Terry Whiteside briefed the Committee on transportation activities since the October 2006 MW & BC meeting.

Items reviewed by Whiteside include:

- legislative support for captive shippers reaches record levels
- a major GAO report stated concerns about competition and capacity which must be addressed
- ex parte's were filed on behalf of the Committee regarding simplified standards for rail rate cases
- a Montana Grain Transportation survey indicated over 70 percent of producers are hauling their grain further now than ten years ago, with average hauling distances "upwards of 80+ miles"
- the Department of Transportation, with assistance from the farm organizations and Whiteside and Associates, requested \$3 million to mount action against the rail rate situation by the state.

The General Accounting Office report confirmed that deregulation has not helped the captive shippers. Whiteside suggested if oversight issues, under the domain of the Surface Transportation Board, could be resolved, many of the problems captive shippers have today with the railroad, such as rate reasonableness, common carrier obligations and service issues, wouldn't exist.

Chairman Frank Schoonover called the meeting to order at 7:45 a.m., calling for public comment. Hearing none, Chairman Schoonover turned the meeting over to Dr. Jacobsen, who reviewed the research review

agenda and changes in presenters as he distributed a new schedule. He reviewed the status of various bills before the state legislature influencing MSU's College of Agriculture and the Experiment Station, indicating 60 days remain until the end of the session. He said he was optimistic, at this point. Regarding the meeting Thursday, February 15, in Helena, Dr. Jacobsen felt it wasn't necessary, for this particular meeting, to have a big showing of agriculture supporters. Dr. Jacobsen reviewed faculty position vacancies and resultant searches, mentioning upcoming retirements will certainly put things in a state of flux. Advisory boards are aware of these situations. Dr. Jacobsen discussed a new table of cumulative MW & BC funding of specific project categories he prepared from existing MW & BC records. This was the first time this information was available in this format. The average funded amount represents a significant contribution made by the MW & BC to the College of Agriculture at MSU over the years -- \$13,391,435 -- total funds contributed to MSU Research from MW & BC since 1968.

After explaining the 2006 Ag Appreciation events, Dr. Jacobsen outlined the new format for the Nov. 2-3, 2007 Ag Appreciation weekend which will exclude the dinner and auction and he briefed the Committee on the significant headway made on equipment replacements/acquisitions at the agricultural research centers.

The remaining researchers provided overviews of their projects in the following order:

Montana Wheat & Barley Committee Project Reviews
Tuesday, February 13, 2007
Thayer Conference Room (108 Plant Bioscience)
Revised February 12, 2007

Time	Report No.	P.I. (Presenter)	Title
8:00	1	Jeff Jacobsen	Opening Comments
8:10	1	Jeff Jacobsen	Ag Appreciation Weekend
8:20	2	Mal Westcott (Jeff Jacobsen)	Strategic matching investment in Ag Research Centers for small grains research in Montana
8:40	5	Bob Stougaard	Herbicide injury potential to Montana wheat varieties
9:00	15&16	Deanna Nash	Improved quality of Montana hard red and hard white wheat <i>and NIR equipment grant proposal (funded 05-06)</i>
9:20			
9:40	6	Fabian Menalled	Weed seedbank composition and dynamics of four common annual in small grains
10:00			BREAK
10:20	7	Steve King	Wild oat control with Silverado and Osprey in malt barley
10:40	8	Research Centers (Dave Wichman)	Evaluation of various materials and practices contributing toward economic crop production
11:00	9	Jack Martin	Evaluation of winter wheat germplasm with different levels of polyphenol oxidase and grain protein for noodle and bread quality
11:20	10	Jamie Sherman	Breeding between market classes of wheat
12:00			LUNCH
1:00	11	Phil Bruckner	Enhanced field selection for wheat stem sawfly resistance
1:20	12	Phil Bruckner	Winter wheat breeding/genetics

1:40	13	Tom Blake	Developing improved barley varieties for Montana farmers
2:00	14	Alan Dyer	Managing root and soil health for Montana's wheat
2:40	17	Perry Miller	Comparing low and high input strategies in diversified cropping systems
3:00	President Geoff Gamble (and BREAK)		
3:40	18	Luther Talbert	Spring wheat breeding and genetics
4:00	19	David Weaver	Monitoring and redistribution of wheat stem sawfly parasitoids
4:20		Jeff Jacobsen	Wrap - up

20 – Jack Riesselman, Montana Ag Live (Report included but will not be presenting.)

* Sue Blodgett, Evaluation of spring wheat for Hessian fly infestation and tolerance (Report available at meeting as a separate handout, no presentation).

^ Joyce Eckhoff, (3) Early generation durum selection and (4) germplasm improvement and Evaluation of small grains for ethanol production, has canceled her presentations.

The Committee adjourned until 7:40 a.m. on Wednesday, February 14 when Chairman Schoonover reconvened the regular business portion of the meeting with the Executive Session. At 8:25 a.m. at the conclusion of the discussion of personnel matters, Chairman Schoonover called again for public comment, and hearing none, the proceedings continued with a discussion of the minutes from the November 2006 meeting.

Brian Kaae asked the minutes be corrected to read that he asked permission for Don Chaffee to attend the Northern Crops Council meeting March 6, in addition to himself.

1) M/S/C Janice Mattson/Brian Kaae – That the November 2006 meeting minutes, with the one above correction, be approved as submitted.

Kim Falcon indicated, before reviewing the financial statements, that Kolleen Spurgin will be attending training on how to code expenses.

Falcon indicated revenue is climbing and there may be an increase in barley revenue this coming crop year.

Don Fast requested that Carter Jensen receive a letter from the Committee regarding how producer check-off dollars funded the parasitoid release program.

Falcon reviewed expenditures in each category, clarifying which entities request early payment on their contracts. As an example, she mentioned Pat Berglund, Northern Crops Institute, was approached about billing out the Committee, quarterly, in the future, rather than invoicing the entire amount in the first quarter and this was agreed to.

Falcon indicated there were no anomalies in the December financial statement. The number of refunds is down. Revenues are within the average range of revenue collected over the years for this same period. There will need to be a reversal for a Montana Agricultural Statistics Service/Grain Movement over expenditure. Falcon reiterated that each invoice is examined by the office.

2) M/S/C Brian Kaae/Kim Holzer – That the financial statements for November and December 2006 be approved, as submitted.

Falcon distributed thank you notes from some of the participants in the Young Grain Growers and Elevator Managers' tours funded by the Committee.

In her Executive Vice President report, Falcon advised the Committee about a request for financial support will be coming from the North Dakota Wheat Commission to fund a study to examine what the dissolution of the Canadian Wheat Board could have on marketing Montana wheat. While the study will probably cost \$27,000, the MW & BC will most likely be asked for at least \$5,000, but no amount has been confirmed. Fast indicated even if the CWB isn't dissolved, Canada could go to a dual marketing system and this could indeed result in poor quality wheat coming down from Canada into Montana. Falcon advised that perhaps some funding to help with this study could come out of both the current and next year's budget.

Falcon distributed a draft proposal for "USWA (U.S. Wheat Associates) Export Market Development Assistance for Specialty Wheat" which is basically a new hard white wheat initiative. Bing Von Bergen and Brian Wixom accompanied Falcon to Portland to attend this meeting on hard white wheat and another meeting may likely be scheduled after the planting intentions report to determine if "critical mass" for hard white wheat can be achieved. Falcon recommended that Von Bergen and Wixom be included in what she estimates could be two other meetings and perhaps other seed dealers also be included.

Fast commented, on hard white wheat, "If we don't have it, Canada will supply it."

3) M/S/C Don Fast/Don Chaffee – That Falcon and two producers, at the discretion of the Chairman, attend the Pacific Northwest Hard White Wheat meeting, once new meeting dates are selected.

It was discussed that Cheryl Tuck had approval to accompany the "producer" tour group to Portland, Oregon the end of January 2006.

Falcon discussed the Montana meeting with the Japanese government buying agency, the Ministry of Agriculture, Forestry and Fisheries (MAFF). This group also met with USWA in Washington, D.C. and Falcon met with them again in Tokyo. The Japanese now want to test grain at the country elevator for pesticide residues. USWA drafted a series of targeted questions regarding why this action might be necessary. Some believe this problem is more a trade barrier rather than a "human" health hazard. Falcon feels price could also be involved and there will, no doubt, be more to follow on this issue. Blending of wheat out of North Dakota could be problematic because Paraquat is used as a desiccant there. Falcon advised this pesticide residue problem could necessitate another potential trip.

4) M/S/C Janice Mattson/Brian Kaae – That Kim Falcon be approved for any MAFF-related trips that may come up in the coming months.

Falcon mentioned buckwheat contamination in wheat is a problem. Both the Japanese and export facilities have asked that we notify growers and elevators in Montana that shipments may be rejected if buckwheat is found.

Deputy Director Joel Clairmont reviewed the 2006 \$10,000 organics program grant funded by the MW & BC, indicating some stipulations were attached. Doug Crabtree, administrator of the program, was contacted to supply information on how much organic production has been assessed and where the organic grain is marketed, to name two of the required stipulations. Deputy Director Clairmont feels that 80% of organic production has been accounted for – approximately 56,000 acres and 1.1 million bushels. It is not known how to pick up the remaining 20% of collections from organic wheat. Some organic grain is going into Canada. He asked for input from the Committee on how to get a handle on the remaining 20 percent of organic assessment collections.

Fast asked for an inventory of buyers and sellers and how much organic wheat is raised so that the Committee can participate in organic research. He suggested the Department of Agriculture or the MW & BC office contact the Montana Organic Growers Association and ask what has been done for organics research thus far and at least go on record as being willing to participate in future projects and dialogue. Average organic production, Fast figured, is 19.5 bushels per acre, so there is definite potential to tout research to improve yields. Falcon and Deputy Director Clairmont will formulate the "invitation" to the organics growers and Clairmont will convey the message that the Committee is not automatically going to approve \$10,000 a year for the organics certification program unless the MW & BC receives the information needed to collect assessments.

The Committee has no problem releasing the money contracted to the organics program but the Committee needs to have the organics association fully participate by completing a list of buyers to determine a process to collect assessments.

Falcon reported that the National Association of Wheat Growers (NAWG) is advertising a Science and Technology position but much remains to be settled at the upcoming meeting in Tampa.

Regarding preparations for the USWA Summer meeting, solicitation letters have been developed and a list of potential donor companies devised. Directors were asked to put their initials by highlighted entries indicating contacts they would personally follow up on. Everyone else will be contacted by Falcon.

It was determined it will not work to incorporate a dinner commemorating the Committee's 40th anniversary with the USWA meeting because of space limitations. Instead, a dinner will be held the night before the Montana Grain Growers Association annual convention in the fall. The Committee will pay for past board members and one guest to attend.

It was discussed that Governor Schweitzer needs to be re-invited to the USWA summer meeting in Kalispell.

Falcon distributed a list of elevator managers who attended the "Maximize Your Profits" workshop at the Wheat Marketing Center (WMC), funded by the Committee. Directors were encouraged to discuss this trip with their elevator managers.

Brian Kaae reported a Syngenta official spoke on potential genetically-modified wheat at the latest Wheat Foods Council (WFC) meeting. Current technology allows about 20% effectiveness against scab; sprays, another 20 percent and possible GM wheat, another 20 percent. The WFC has an ambitious ad program featuring a full scale "wheat experience" in New York. It is hoped the education of the school children will cause a ripple effect of media exposure. The Council has a budget of \$575,000 and Montana's portion is 10 percent of this total. The WFC intends to develop a paper in agreement with NAWG and USWA's position.

Chairman Schoonover mentioned Janice Mattson will take over as the new Secretary-Treasurer of USWA and the first woman to go through the executive chairs in that organization. Only two other women have served on the Board of Directors. "This is a big plus for Montana," he added. Montana had good support for Mattson's candidacy. Regarding the dissolution of the Wheat Export Trade Education Committee (WETEC), South Dakota initially decided to pay the remaining amount, prompting Montana to request its additional contribution to be returned. Now South Dakota wants their money back, leaving the situation not yet resolved. USWA is trying to think of ways to get money into its coffers.

The U.S. Grains Council is moving into distillers' dried grains (DDGs) and a new position has been hired as a "DDG" consultant and barley should be included in feeding trials. DDGs are very beneficial for ruminants. Swine can only tolerate 20 percent DDGs in their feed while chicken and fish can't utilize DDGs. Major buyers of DDGs are ADM and Cargill. A lot of DDGs are going out in containers. Fast is the barley sector director for the

USGC, as well as a member of the USGC value-added team. There needs to be a protocol to determine feed quality using DDGs, according to Fast. A malt barley buyers' conference is being planned.

The USGC has a \$26 million budget. Fast added that barley for human foods will be increasingly important in the Japanese and Taiwanese markets.

Falcon interjected that Chris Cory, with the USGC, will put together a trip for malt barley buyers to come to Montana and contract for barley acres, once a free trade agreement is signed with Colombia.

Peggy Stringer distributed various Montana Agricultural Statistics Service reports and calendars, remarking the March prospective plantings report will be issued March 30. This will be the first prediction for spring wheat and barley acres, as well as peas and lentils. Stringer feels, based on the statistics, that prices should be equal to or better than the 1995-96 average wheat prices. Chouteau County is the number 1 wheat producer with 24.3 million bushels as reflected in the new county wheat and barley estimates. Toole County is the top spring wheat producer. Sheridan County ranks first in durum production. Pondera produced more barley than any other county.

More irrigated acres are in barley production now. Stringer distributed the Crop Weather Report, which is issued monthly during the winter, commenting how unusual it was to see most all temperatures across the state above normal. Stringer will participate in a Drought Advisory meeting tomorrow (February 15, 2006).

Falcon advised the Committee that, by all reports, the Elevator Manager Training Workshop was considered very worthwhile. She will contact them to see if there are any suggestions for changes and how they will apply what they learned.

Regarding the "producer" tour, Mel Goffena was particularly impressed about the logistics of loading vessels. He felt he learned a lot and made the observation how hostage the whole industry could be to 18 people – the bar pilots. He commented the WMC was very educational.

Kim Holzer, who also attended the "producer" tour, mentioned her interest in the Port of Portland and Terminal 6. Forty percent of wheat is exported out of the United Harvest facility and sixty percent of that is Montana wheat. Holzer commented on the importance of functionality testing and stressed that other producers could benefit from such an experience – especially those progressive and open to new ideas.

Cheryl Tuck remarked that besides the traditional testing conducted by the WMC, product development is also pursued at the WMC.

Janice Mattson mentioned there had been no National Barley Foods Council (NBFC) meeting since the Committee last met, but the NBFC is trying to come up with standards for human food barley.

Goffena reported on a Varietal Release meeting he attended, stating the breeders wanted to know if soft white wheat should still be included. Others asked if low protein soft white could work for ethanol production, so, perhaps, three varieties of soft white could be retained for testing. He itemized those varieties which will be removed from consideration for release and mentioned new forage and camelina releases. There were no barley releases.

Kaae indicated North Dakota has extra legislative funds this year so Northern Crops Institute (NCI) anticipates full funding with perhaps monies for new projects and personnel at NCI. South Dakota is working to get permanent NCI funding through their legislature. The next NCI meeting will be a basic business meeting with legislators to be invited. Kaae will not be attending the upcoming National Barley Improvement Committee (NBIC) meeting. Basically, the priorities for the NBIC will be the same as last year.

Regarding the State Grain Lab, Deputy Director Clairmont distributed a newly-fashioned report to better reflect where the Lab has been financially. This report, however, does not project financial activity. The Lab is making some progress but has a way to go to be self sufficient. The \$50,000 the Committee granted the Lab for this fiscal year has not yet been used, but Clairmont observed the Lab is “running thin” with the roughest part of the year yet to come. As sampling slows, Craig Essebaggers, the Lab Manager, and personnel will visit elevators. A performance audit was requested two years ago to determine where the Lab could realize savings or generate more revenue. Presently, a risk assessment is being conducted at the Lab and then the audit will follow. It has been estimated the Lab can be profitable if it samples 1,000 cars and, presently, it is doing 700 cars. This new report format is a “work in progress”, stated Clairmont.

Deputy Director Clairmont updated the Committee about other Department activities, including the Weed Trust Fund, included in a bill carried by Diane Rice. It is now at Second Reading on the House floor. March 22-23 is the Governor’s Food and Ag Summit with the focus on making sure Montanans are fed. SB 42 is the Growth through Ag program and it is advancing through the legislative process. It is designed to remove the sunset provision and make the program permanent. The State is looking at a broadband pay plan to do away with pay grades. The proposed plan will cost the Department more money than the current pay plan and it is anticipated general fund monies will be needed. The Governor would like to see the broadband pay schedule in place by July.

Governor Schweitzer recently included an additional \$3 million in his transportation budget to build the evidence needed to pursue a rail rate case. The funding made it through the sub-committee with unanimous approval. Recently, the House derailed all the spending bills and it is not known what will happen to this request.

After discussion the Budget meeting dates was set for April 2-3 in Great Falls.

Dr. Jacobsen reviewed the Plant Variety Protection (PVP) fee program whereby the MW & BC gave \$20,000 two years ago for the purpose of PVPing all MSU varieties. “It has taken this long to change mind sets and catch up with surrounding states,” said Jacobsen. There is now \$70,000 in fees collected in an account. It will be put to work now and there will be full accountability. At this point in time, Jacobsen thinks \$30,000 will go into Luther Talbert’s program and \$20,000 will be used to create a mini-grant program dedicated to the development of good varieties. There is enough money remaining to pay for licensing right off the top. Jacobsen plans to make this a routine part of his report to the Committee, at least annually. Dr. Jacobsen asked for guidance as to the Committee’s interest for an equipment proposal from the research centers. Based on feedback from the Committee, Jacobsen or Malvern Westcott will submit an equipment proposal in the \$100,000-500,000 range at the next MW & BC budget meeting.

Falcon has been working with Congressman Rehberg, who is hosting a trade mission to Italy. Falcon prepared Montana-specific briefing materials for this trade mission. Don Fast will participate in a conference call on Friday, February 16, to discuss shipping durum to Italy with a backhaul of urea from the Churchill port. It is hoped this contact will result in the announcement of an intent to purchase. A follow-up trip to Italy may need to be approved. At this point in time, Brian Kaae would be the one to go on this trip, unless it is in the middle of his harvest.

Falcon added there may also be a Latin America trade promotion trip to Guadalajara, Mexico.

5) M/S/C Don Fast/Kim Holzer – That the Committee send a representative to Italy and Mexico, if the trips materialize.

Chairman Schoonover indicated he would go to the FFA luncheon on behalf of the Committee in Helena next week. Don Fast, Kim Falcon, Janice Mattson and he, himself, will be attending the Commodity Classic and USGC meetings in Tampa, Florida in March 2007.

Kaae reported that the Committee is sponsoring Brian Sorenson from NCI to give a presentation at the KATQ Farm Forum March 26 in Plentywood. Brochures will be distributed, along with cookies promoting the 40th anniversary of the MW & BC.

Directors were reminded of the June 30 – July 2 USWA meeting in Kalispell. A half-day MW & BC board meeting may be scheduled the day before the USWA meeting.

Janice Mattson was asked to speak about the future of agriculture in Montana for the Leadership Great Falls group on February 22.

6) M/S/C Kim Holzer/Melvin Goffena – That the meeting be adjourned at 1:45 p.m.

I/Word/WBC Budgets Minutes/Minutes/Feb13-14-2007Minutes

Submitted by:

Kim Falcon, Executive Vice President

April 5, 2007

Date